



CALPEEK

CALIFORNIA POLITICAL WEEK

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VOL. XXIV
No. 28

JULY 29, 2002

CAMPAIGN 2002: SIMON RELEASES TAX RETURNS, BUT THE DISCLOSURE DISTRACTION CONTINUES.

Editor's note: GOP businessman Bill Simon Jr. finally made his tax returns available for inspection by the Calif.'s political news media, but the way in which he handled the whole thing has not only raised more questions, but has really angered political reporters. Negative news stories and editorials about Simon's *mini-disclosure* continued July 24th – two days after the “big event.” Here's our up-date, analysis & commentary...

...*Calpeek*, along with other political reporters, listened in on Simon's July 22nd news conference where he said he was disclosing his 1990-2000 U.S. and State tax returns to end “the distraction to my campaign.” Over this 10 years Simon had \$36 million in income and paid about \$11 million in U.S. and State taxes. It had been 99 days since he first told the political reporters that he had no intention of releasing his taxes – they were private, end of discussion. So *Team Davis* began pounding away with a day-by-day attack. And while Simon did in fact obey the letter of the law by making the required financial disclosures, it wasn't the same as releasing his tax returns...

...The big problem about this disclosure was that Simon's *rules* were very restrictive. For a couple of hours one reporter per news media outlet was allowed to inspect the 1,000 pages of tax documents, but no copies or photos of the tax returns were allow. Nor were news organizations allowed to bring in tax experts to help out. Since political reporters aren't CPAs, those who inspected the records might have missed important info. Simon's response: too bad. In fact, Simon's hatred of political reporters really surfaced July 22nd. It amounted to a digital salute!!!

...How should *Team Simon* have handled the disclosure? Just like Dianne Feinstein(D) in 1990. She didn't want to disclosure either, but finally did. DiFi and husband Dick Blum had their tax returns available to the news media and tax experts at their accountant's office. There were no time restrictions, but the documents had to remain at the office...

...So why didn't Simon release his taxes early to end this controversy? *Team Davis* was absolutely sure there was something which would surface which would really sink Simon's campaign. Other than the tax shelters, which the IRS is yelling about, there doesn't appear to be any other smoking guns. On the other hand, when you look at the losses Simon suffered from 1998 to 2000 – it's clear that the candidate's image as a successful businessman was tarnished. Perhaps that's why he didn't want to disclose. What's also apparent from these disclosures is that Bill Simon may be a multi-millionaire, but he may *not* be able to totally self-fund his campaign. And his campaign fundraising to date has been *anemic*...

...What forced the disclosure? Some say it was the IRS probe of the KPMG accounting firm (tax shelter stuff). Lots of negative ink for Simon. Others think it was a *leaked* email from GOP Senate Leader Jim Brulte to Simon which focused on the *political problem* Simon faced: his refusal to release his returns was killing his campaign and without a strong GOPer at the top of the Calif. Republican Party ticket, other GOPers in down-ballot contests would suffer. The individual who should have leaned on Simon months ago to release his returns was Simon's Calif. campaign chair John Herrington, the former chair of the CA Republican Party. Stay tuned...

CAMPAIGN 2002: SLIGHTLY MORE THAN 100 DAYS REMAINING UNTIL KEY U.S. MIDTERM ELECTIONS.

Editor's note: The past month has not been good for Pres. George W. Bush or his GOP allies in the U.S. House and the U.S. Senate. The central problem for the Bush Administration is on the *domestic front*: corporate corruption & accountability, combined with a soaring U.S. deficit and plunging investor confidence in the U.S. stock market. Here's our brief update & analysis...

...The polling data is still giving Pres. Bush some pretty good marks, although not as good as he has enjoyed in the past – post 9-11. And indeed it's his administration's handling of foreign affairs (War on Terror) which is hold-

ing up his overall job performance ratings. A CNN/USA Today/Gallup Poll showed Bush's approval rating at 76% vs. 18% disapprove. On the economy it drops: 58% approve vs. 36% disapprove. This poll was taken July 5-8 among 1,013 adults. Politically, a Zogby American Poll taken July 19-21 of 1,003 likely U.S. voters shows 47% would reelect Bush vs. 32% who say it's time for someone new. 21% aren't sure. Not that great...

...Here in Calif., the Field Poll (June 25-July 2, 509 registered voters) showed Pres. Bush's job performance at 63% approve vs. 28% disapprove, with 9% no opinion. In December, Bush's approval rating was 76% - so his numbers have dropped in Calif. Prior to 9-11, Pres. Bush's numbers were 41% approve vs. 44% disapprove...

...Why are Pres. Bush's numbers declining? One does not need to be a rocket scientist to figure this one out. The headlines say it all: stock market tanking with retirement funds in jeopardy because of corporate shenanigans by dishonest CEOs and accountants who have cooked the books. And certainly the articles about Bush and Harken Energy Corp., as well as VP Dick Cheney and his leadership while CEO at Halliburton Co., haven't helped either...

...What's not getting as much attention as the stock market meltdown is the growing U.S. deficit. It's \$165 billion. When Bush/Cheney came into office there was a \$127 billion surplus in the fiscal year which ended Sept. 30, 2001. Why the red ink? The Bush Admin. says there's been a steep falloff in tax revenue from capital gains and other receipts associated with the stock market. Sound familiar? Same thing in Calif., only Calif. isn't allowed to run a deficit...

...How will all of this play in the election of the next U.S. Congress? Enron, Worldcom, Global Crossing, Arthur Anderson, 401Ks - all taken together spell potential disaster for Bush and the GOP - 1994 in reverse. Some Demo consultants lump all of the above into the overall campaign theme of corporate irresponsibility & accountability...

...If the Demos can hold the above message for the next 100+ days, it's likely that the midterm elections will look like other midterms where the president's party suffers losses. How many losses? In the U.S. House, the GOP currently holds a 220 to 211 edge over Demos, with 2 independents and 2 vacancies. Most sources see only about 50 competitive House contests across the U.S. Best guess is that Demos may pick up 7-9 seats. In the U.S. Senate, the Demos hold a 1-vote majority, with 33 seats on the line. Best guess is that Demos hold their slim majority. The

Zogby America Poll shows a dead-heat among likely voters in a generic congressional match: 35%(D) vs. 34%(R), 28% not sure and 3% for other parties. Stay tuned...

CA INITIATIVE UPDATE: CA SECRETARY OF STATE ASSIGNS NUMBERS TO 7 BALLOT PROPOSITIONS.

Editor's note: The CA Secretary of State has now assigned numbers of the 7 ballot measures which will appear on the Nov. 5th Calif. ballot.

◆ *Prop. 46 - (SB 1227-Burton). Housing & Emergency Shelter Trust Fund Act of 2002...*

◆ *Prop. 47 - (AB 16-Hertzberg). Kindergarten-University Public Education Facilities Bond Act of 2002...*

◆ *Prop. 48 (ACA 15-Wayne). Court Consolidation...*

◆ *Prop. 49 - After School Programs. State Grants. Initiative Statute. Arnold Schwarzenegger key proponent...*

◆ *Prop. 50 - Water Quality, Supply and Safe Drinking Water Projects. Initiative Statute. Joe Caves key proponent...*

◆ *Prop. 51. Transportation. Allocation of Sales and Use Taxes Raised from Sale or Lease of Motor Vehicles. Initiative Statute. Gerald Meral key proponent...*

◆ *Prop. 52. Election Day Voter Registration. Initiative Statute. Rob McKay key proponent...*

CAMPAIGN 2002: FIELD POLL SHOWS 'EDVR' GOING DOWN BY WIDE MARGIN. BONDS ARE DOING OKAY.

Editor's note: Pollster Mervin Field has released his first survey of ballot propositions which will face Calif. voters Nov. 5th. The poll was taken June 25-July 2 among 647 likely voters, via random digit dialing (RDD). Here's our brief update & analysis on 3 of the measures...

◆ *Prop. 52 - This is the Election Day Voter Registration (EDVR) initiative of deep-pocketed S.F. businessman and foundation head Rob McKay. If approved, this measure would allow potential voters the right to register and vote on the same day - IF they produce solid ID to prove they're citizens of Calif. Penalties for voter fraud have been beefed up under this proposal, but opponents are still yelling "voter fraud." The Field Poll shows only 37% YES vs. 54% NO, with 9% undecided. Among GOP voters, Prop. 52 goes down by a 70% vs. 25% margin. Among Demos, Prop. 52 breaks even: 44% YES & NO. The only encouraging thing for YES on 52 are the numbers from independents: 52% are in support vs. 42% opposed...*

...YES on 52 supporters say their own polling is different, but would not give *Calpeek* the numbers. NO on 52 backers are thrilled with these results, but unless they're able to raise a substantial war chest, 52 has a better than 50/50 chance of winning because McKay plans to spend big bucks on a voter education program (read that as tv ads + direct mail)...

◆ **Prop. 49** – This is actor Arnold Schwarzenegger's *After School Program* initiative. Overall, it's leading **58% vs. 34% NO**, with **8% undecided**. Strong support from both Demos and independents, but GOP voters are against Arnold's initiative: **40% YES vs. 49% NO**. It's no secret that Schwarzenegger has his eye on the 2006 GOP nomination for governor, but with lousy support from Republicans on his initiative, this isn't a good sign – even this early...

◆ **Prop. 47** – This is the massive \$12.3 billion general obligation bond for K-University public education facilities to relieve overcrowding and repair schools. Overall support is good: **58% YES vs. 33% NO and 9% undecided**. Again, Demos and independent voters are solid supporters, while a slight majority of GOPers are opposed: **46% NO vs. 44% YES**. Burlingame-based Woodward & McDowell have just been hired to run the YES side. Stay tuned...

CAMPAIGN 2002: GOV. DAVIS SIGNS BILL TO FIGHT GLOBAL WARMING. REFERENDUM PLAN HALTED.
Editor's note: Calif. Gov. Gray Davis(D) signed AB 1493 by Demo Assemblywoman Fran Pavely of Augora Hills on July 22nd. The legislation is considered "landmark" because Calif. becomes the first State to address this thorny environmental issue of global warming. It was a no brainer for Davis to sign the bill. What *Calpeek* will look at are the politics of this legislation – and the battle to get AB 1493 to the governor's desk. Here's our analysis in *Part IX* in our continuing series about energy & politics...

...After weeks of discussions, the auto industry has decided *not* to launch a referendum against AB 1493. Given the deep pockets of the auto industry and its allies in the U.S. business community, there's no doubt they could have collected the signatures to make the 2004 ballot, but not the 2002 ballot. Not enough time to make the Nov. 5th ballot. Since 1911, Calif. voters have faced some 41 referenda, with only 14 being approved. Thus Calif.'s environmental community can relax for the time being...

...Instead, our sources think the auto industry will go to court once the CA Air Resources Board(ARB) comes up with auto standards to reduce greenhouse gases (CO2). Under AB 1493, the CARB has until 2005 to develop the new standards. And the auto industry doesn't have to

implement the new standards until 2009. And here's something else: the CA Legislature can amend the standards. Bottomline: the bill itself was watered down with amendments, thus it wasn't the job killer, higher taxes and no SUV bill that opponents had claimed it was. But those are the kinds of arguments which would have been made had the auto industry taken to the ballot box – and sources think they would have spent \$30-40 million...

...The politics of how this bill (in its current form) got to Davis' desk is fascinating. The amendments to the original bill (AB 1058) were not drafted by a committee consultant, but by Demo political consultant Richie Ross. Sources say these Ross amendments made the bill more acceptable to Demos in moderate/swing districts. Despite the Ross amendments, one of his clients, Assemblyman Dean Florez of Shafter, was absent when the final vote on AB 1493 was taken. That in itself is another story, but some Demos who thought Florez had committed to a YES vote were angered. There were no GOP votes for AB 1493, but 6 Demos who had previously abstained went to YES: Cardenas, Havice, Liu, Papan, Vargas and Cardoza...

...FYI: Why did Dennis Cardoza of Modesto, who is running against GOP State Sen. Dick Montieth of Modesto for the 18th CD, vote YES? Cardoza switched when Senate Pres. John Burton(D-SF) agreed to drop his opposition to AB 2637 requiring Bay Area cars to undergo tougher smog checks (Smog Check II). For those who aren't aware of it, most of the smog in the northern part of the Central Valley comes from bad air which drifts over from the Bay Area. Dirty air is a big issue in the Central Valley, so this was a big plus for Cardoza. AB 2637 comes up for a vote in the Senate Transportation Cmt. on Aug. 6th. Stay tuned...

CALPEEK'S CALENDAR OF POLITICAL EVENTS

July 31	State campaign reports due.
Aug. 31	Final day of CA Legislative session for 2002.
Sept. 20-22	CA Political Attorneys Assn. annual retreat, Marina Beach Marriott, Marina del Rey.
Sept. 27-29	CRP State Convention, Hyatt Regency, Anaheim, CA.
Sept. 30	Last day for Governor to sign bills.
Oct. 21	Last day to register for November election.
Nov. 5	Calif. General Election.

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DOG DAYS OF SUMMER. POLITICAL SHORT TAKES.

Editor's note: Here are a few items, political & otherwise, worth noting...

■ **18th CD Poll Shows Cardoza Ahead** – In the battle to replace U.S. Rep. Gary Condit(D) in the 18th C.D., a new survey has Demo Assemblyman Dennis Cardoza leading GOP State Sen. Dick Montith by a 54% to 31% margin, with 10% no opinion and the remainder for other minor party candidates. This survey was done by Demo pollster Jim Moore of Sacto – 400 likely voters completed July 21st. This new CD leans Demo, but GOPers consider it to be a competitive CD. It includes all of Merced Co., plus parts of Fresno, Madera, Stanislaus and San Joaquin Counties...

■ **18th CD Poll Also Shows Davis Leading Simon** – Piggybacked onto the 18th CD survey was a question about the Calif. governor's race. Here Gov. Gray Davis(D) is leading GOP businessman Bill Simon Jr. by 19 points: 54% vs. 35%. Even though the 18th CD has a Demo Party registration edge, the seat itself is considered competitive by GOP strategists, thus Davis' 19-point lead over Simon is significant. And remember: this poll was taken at a time when Simon was being battered by the news media over his tax returns and questionable tax shelters...

■ **Lapsley Takes Over Simon Campaign** – For the record, political consultant Rob Lapsley has taken over as day-to-day manager for GOPer Bill Simon's gubernatorial campaign. He replaces John Peschong, who was on loan to Simon's campaign from the RNC. Peschong will continue to consult with the Simon campaign, but has essentially returned to his previous RNC duties, which include overseeing 6 Western States. If you go back to the beginning, Simon has had 5 daily mgrs: Sal Russo, Rick Ahearn, Ron Rogers, Peschong (interim for 30 days) and now Lapsley...

■ **L.A. Secession Update** – Should the L.A. Co. Board of Supervisors put the amount of the fiscal impact of a split between L.A. and the San Fernando Valley & Hollywood on the Nov. 5th ballot? L.A. Mayor Jim Hahn and 12 members of the L.A. City Council say YES – while secession supporters say NO. We'll know on July 25th when the county supervisors take a vote. If they do put the fiscal data into the title & summary which appears on the ballot itself, that's considered good news for the anti-secessionists. FYI: no big shock, but he United Chambers of Commerce of the San Fernando Valley(UCC) has voted to support Valley cityhood. The UCC includes 25 different chambers within the greater SFV area...

CALPEEK's NEW JOBS AND PERSONNEL NOTICES.

Editor's note: Here are some items to mark down in your notebook...

● **Recuperating:** S.F.-based campaign consultant Robert Barnes has been at Calif. Pacific Medical Center in S.F. for the past 5 weeks. Sources say he's doing better...

● **Sony Pictures Entertainment** has hired Keith Weaver as vp of govt. affairs. He is the former staff director of the Calif. Redistricting Office...

● **L.A. Council Pres.** Alex Padilla has named political vet Bill Mabie as his district director. For the past 12 years Mabie has worked State Sen. Richard Polanco...

● **SPI candidate** Katherine Smith, president of the Anaheim School Board, has hired CommandFocus as her campaign consultant...

● **A few changes at L.A.-based Greer/Daily/Minter P/A.** Sydney Dailey becomes president; George Minter exec. VP. Founding principal Billie Greer continues as Sr. Advisor...

● **The Regional Council of Rural Counties** has named Patricia Megason as the new VP of Govt. Affairs...

● **Gov. Davis** has appointed John L. Geesman to the State Energy Resources Conservation and Development Commission. Geesman is an attorney from Orinda...

CALPEEK'S MARKETPLACE NETWORK

● **Hiring six regional** campaign coordinators for grassroots/on-site action/customer education campaign against large-scale development in Southern California. Responsible for paid and volunteer organizers. Regional coordinators needed for Los Angeles and Ventura Counties. Salary DOE. Send resume to: StoptheRanch@aol.com.

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